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A checklist for advisors assisting federal employees

By Rob Burgess
March 25, 2025 6:26 PM

Layoffs, deferred resignations and unexpected retirements have left federal employees reeling over suddenly uncertain futures.

However, this gap presents an opportunity for financial advisors to provide support and guidance for the future.

Emmanuel Eliason, president and CEO of Eliason Wealth Management in Centennial, Colorado, said federal employees are the primary clients his practice serves. He said the recent layoffs arising from the reductions in force and voluntary retirements or resignations have sent shock waves through the community of federal employees.

"One of the concerns we have been hearing from federal employees is the lack of clarity about what to expect," he said. "Federal employees are not getting enough assistance from their human resources department, partly because of the volume of requests and perhaps the ambiguity about the various programs being rolled out, especially in the beginning."

When retirement turns into a defensive strategy

Patrick Kalish, director of financial planning at Continuum Wealth Advisors in Saratoga Springs, New York, said he recently worked with a longtime client who faced the difficult decision to take early retirement from her federal position. Living in upstate New York, she was affected by new return-to-office mandates that required frequent travel to Washington, D.C., to maintain her role.

"This wasn't the lifestyle she had envisioned for this stage of her career, and financially, it didn't make sense to absorb the additional travel expenses so late in her working years," he said. "At the same time, she was concerned about how early retirement might impact her lifestyle and whether her federal benefits would be affected if she continued working but was unexpectedly let go. It was an incredibly tough decision."

Kalish said he began by simply listening.

"Major life transitions like this require not only technical expertise but also a trusted guide to help navigate the emotional and financial concerns," he said. "From there, we modeled multiple scenarios, weighing the implications of early retirement, so she could make an informed decision with confidence."

A key change from past years, he said, is that heightened concerns over job security are now affecting long-term financial plans.

"Many federal employees are viewing early retirement less as a choice and more as a defensive strategy," he said. "In this ever-changing environment, regular follow-ups are essential."

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Processing unexpected transitions

Elizabeth Zelinka Parsons, co-founder of retirement coaching firm Encoraco, said advisors should help clients recognize feelings of anger and grief.

"The end of a career — especially when we're not the ones choosing it — can bring about feelings of anger, as well as grief related to the loss of professional identity, purpose, community and routine," she said. "Processing your anger and grieving these losses are important for a positive transition."

Parsons said clients who face early, unexpected retirement should "remember to enjoy the ride," even if it wasn't one they chose to take.

"Often, what first seems to be an unwanted circumstance quickly evolves into an exciting opportunity," she said. "As you let go of what has been, remain open to what now might be possible. Enjoy the path as it unfolds and surround yourself with others who can take an optimistic view of the adventure ahead."

Below are tangible steps advisors can take to guide clients who are federal employees. (Advisors can also share details with clients for an upcoming free virtual webinar on "Managing Your Finances in Uncertain Times: Resources for Federal Government Employees," which the CFP Board will host from 7-9 p.m. EST Thursday, March 27.)

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Maximize retirement and health benefits

Kalish said he focuses on maximizing his clients' Federal Employees Retirement System (FERS) benefits, including pension and Thrift Savings Plan (TSP) accounts, and carefully reviews retirement benefits under the Federal Employees Health Benefits program.

Patrick Beagle, owner and president of WealthCrest Financial Services in Springfield, Virginia, said clients who may lose their federal job should get their medical and dental issues resolved and use up their flexible spending accounts (FSAs) as quickly as possible. In addition, if federal employees are let go, they can use the qualifying life event option in a spouse's plan and change insurance coverage as needed.

"Remember, they don't ask for it back if you spent the whole FSA by April," he said. "The way the Fed program works, they pay into it by pay period, but have access to the full amount on Jan. 1 of the calendar year."

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Guide clients on legal rights, paperwork
Brian Kuhn, a senior vice president and financial advisor at Wealth Enhancement Group in Fulton, Maryland, said advisors should refer affected clients to attorneys with expertise in federal employment law to make sure they understand their rights.

Additional external legal aid can be helpful — as can internal expertise. Beagle said that if applicable, clients should "use the union to fight for you if you need to."

Eric M. Steffy, founder and CEO of retirement and benefits coaching firm Federal Solutions Support in Daytona Beach, Florida, said federal employees should save a copy of their personnel file, including their most recent employment application and a copy of their SF-50, or notice of personnel action. The HR office within their agency should grant access to these records, he said. Also, clients should obtain copies of their health, retirement and benefits records.

"It can take a bit of time to reconnect if you should have your internal access shut off," he said.

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Help clients be prepared with a polished, private sector-focused résumé
John Bell, owner and lead financial planner of Free State Financial Planning in Highland, Maryland, said younger, mid-career federal workers may be concerned that if they have primarily worked in government, that experience will not translate directly to the private sector.

"They are focusing on how to make their résumés more appealing to the private sector, as some have relayed to me their experience does not directly translate to a non-public job," he said.

Beagle said in general, resignation is not advantageous to termination.

"For those in an at-risk agency, I suggest they update résumés and consider starting a job search," he said.

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Prioritize budgeting and building an emergency fund
Beagle said he suggests clients get their financial houses in order with a budget, lowering extra expenses and building a bigger reserve.

Bell said he has advised clients that they should build up their emergency funds if it is not sufficient enough to provide a buffer if they are laid off.

Lisa Whitley, owner of financial coaching and planning firm MoneyByLisa in Washington, D.C., said she is in favor of federal employees rolling back their retirement account contributions to the minimum needed to capture the employer match and banking the remainder in a liquid, low-risk, high-yield savings or money market account.

"Obviously, during these times, cash is king," she said.
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Map out retirement cash flows
Kuhn said federal employees should take the time to build a retirement cash flow model.

"Enter what is believed to be the future so you can create scenarios for what might play out," he said. "In many cases, things look better than they think they will, even if cuts are made to their benefits, which can help with peace of mind. Or, if the model shows there is work to be done, whether that's a second career in the private sector or cutting back on spending, at least they have that reality in writing."